3: Roberts S-4 (no date)1951 ED1 Rumania ED1

and Rumania as agricultural exporter. The average price per metric ton of Rumanian exports fell in 1934 by 62 per cent of its 1922–30 average, whereas the price of imports fell by only 33 per cent in 1936. Internally agricultural prices dropped to 44 per cent of the 1929 level, industrial prices to 62 per cent.[9] The situation was further aggravated by the inauguration at this time of an agrarian protectionist policy by the European industrial states. After 1928 Germany introduced high agricultural tariffs; Italian grain and flour duties reached prohibitive levels between 1929 and 1931; France imposed heavy tariffs on cereals.

In May, 1931, the failure of the Austrian Kredit-Anstalt unleashed the financial crisis which swept across Europe and ended the flow of foreign capital to Rumania. Inevitably, the fall in grain prices, the disappearance of foreign markets for agricultural produce, and the stoppage of foreign credit had a disastrous effect upon the Rumanian economy. State finances, never on a very steady foundation, and having just been reorganized in 1929, were hit by the decline in revenues (direct taxes dropped from 8.6 billion lei in 1930 to 3.4 in 1933), and there was a budget deficit each year between 1930 and 1934.[10]

One peculiarity should be observed in the Rumanian depression. In several respects Rumania was in a better position than the other Balkan states. Because of a series of good harvests in 1929, 1930, and 1931, and because of petroleum exports, it was able to maintain a considerably better balance of trade. Moreover, because of the acquisition of a good deal of foreign capital in the loans of 1929

9. Madgearu, *Evoluția economiei românești*, p. 80, and *Breviaire Statistique de la Roumanie* (Bucarest, 1940), p. 226:

	Wholesale agricultural prices	*Industrial prices*	*Prices of industrial products required by agriculture*
1929	100	100	100
1930	68.2	92.9	98
1931	50.8	72.0	86.6
1932	47.7	62.2	80.9
1933	44.9	62.2	81.1
1934	44.1	63.4	82.6
1935	48.4	75.2	90.2

10. As a matter of fact, a budgetary deficit in Rumania is a very relative term; many of the so-called budget surpluses of the 1920's were quite fictitious. See Ludovic Iavorschi, *L'Equilibre budgetaire en Roumanie de 1920 à 1932* (Paris, 1933). I doubt if the budget deficits can in any way be regarded as a planned attempt to counter the depression, since all the governments promised balanced budgets and the deficit appeared as the result of altogether undirected and uncontrolled expenditures through a number of channels.

3: Roberts S-4 (no date)1951 EDl Rumania EDl

case of Manoilescu.[33] The trend toward heavy industry was a forced development, carried on by monopolies subsidized and protected by the state—probably the only way in which such industries could have been created in short order. It did not reflect a growing individual domestic demand, as the state was the principal consumer for the new products. The increased industrial production was largely balanced by continued low imports. Thus, over the eleven years from 1927 to 1938, industrial production rose from 59 to 69 billion lei, but total industrial consumption fell from 93 to 88 billion because of a fall in imports from 34 to 19 billion lei.[34]

On the short run at least, and relatively if not absolutely, this forced development was at the expense of agriculture. Funds which might have gone into agriculture went into industry; the peasant as a consumer was obliged to pay high prices for industrial products. The relation between agricultural prices and the price of industrial products necessary to agriculture, which had dropped from an index of 100 in 1929 to 53.4 in 1934, climbed only to 63.9 by 1937. Clearly such a policy was exposed to opposition from an electorate consisting largely of peasants—if the representative parliamentary system functioned. The economic policy of these years by its very nature implied an extension of control over political activity. The Tătărescu regime was the last effort to carry on politics in the traditional manner, through a quiet perversion of the constitutional system, but the growing differences between Tătărescu and the old guard of the

33. An excellent example of the political and social implications of this industrial drive is to be seen in a resolution of a congress of the Rumanian Federation of Manufacturers, held in Bucarest on February 3–6, 1936. The congress considered the industrialization of Rumania necessary not only for the development of the country's natural resources but to provide employment and meet the requirements of national defense and the balance of payments. It demanded a stable system favorable to the development of industry; privileges on tariffs and railway rates; legislation requiring public authorities to obtain all their supplies from Rumanian industry; statutory recognition of agreements between industrialists having the object of "improving production and sales by lawful means." In the field of social legislation the congress demanded that employers should be relieved of all charges which did not correspond "either to the workers' real needs or to the capacity of Rumanian industry." Specifically, it proposed that representation of employers and workers in social insurance schemes should be proportional to the amount shared in their support, the repeal of payments to employees for the first seven days' illness, and the repeal of the employers' civil liability to an insured worker in case of accident. The supervisory rights of the Chambers of Labor should be limited to small manufacturers and they should not be permitted to "tyrannize over employers in large-scale industry." Finally, it demanded that the Federation of Manufacturers be consulted on all laws and regulations affecting industrial life. ILO, *Industrial and Labor Information*, 57, No. 13 (March 30, 1936).

34. Madgearu, *op. cit.*, p. 257. There was, however, a rise in imports between 1934 and 1937 from 13 to 19 billion lei, corresponding to the general economic recovery.

3: Roberts S-4 (no date)1951 ED1 Rumania ED1

Liberal party are indicative of the move toward a less inhibited industrial drive.

During the four years, then, between the depression and the inauguration of the Carolist dictatorship, it is possible to find inside Rumania, not to mention the external influences, three quite distinct factors making for the destruction of parliamentary government and the creation of an authoritarian regime:

1) Carol's own personality and his streamlined interpretation of the old-fashioned prerogatives of a monarch;

2) The unrest and growing extremism in broad sections of the population, which was finding a mouthpiece in the Iron Guard;

3) The economic policy of neoliberalism, which not only carried overtones of a more authoritarian state but through the centralization of economic power and control increased the possibilities of creating such a state.

While the general atmosphere of these years of neoliberalism resembled Manoilescu's teachings in its industrial protectionism, increasing economic nationalism, and growing corporatism, there was an important difference: contrary to Manoilescu's thesis, agricultural protection was maintained and extended. During the years 1935 to 1937 there was a complex system of minimum prices, state purchases, and export bounties for wheat. By the law of 1935 the government paid a minimum price of 35,000 lei for 10 metric tons of wheat weighing 75 kilograms per hectaliter. An export premium financed by a tax on milling, paid 10,000 lei per ten-ton truckload of wheat, and 12,000 lei per truckload of flour. This premium was dropped with the rise in agricultural prices but was reapplied in 1938. A Wheat Valorization Office was formed to supervise these payments and to improve the quality of wheat. Similar steps were taken for medicinal plants, textile plants, and wool.

In 1936 Rumania signed a series of wheat export agreements with Belgium, the Netherlands, Greece, Italy, Germany, the United Kingdom, and other states. Foreign trade in grains was also assisted by an extremely complicated system of taxing imports to pay for export bounties and permitting the exporter to keep a portion of the free exchange obtained by his exports. In general these measures, which were aimed at maintaining the commercial balance, had a beneficial effect in supporting the price of agricultural products and in increasing exports. Between 1934 and 1937 agricultural prices rose from 44.1 (1929 = 100) to 64.6; the value of agricultural production increased from 42 to 62 billion lei; the value of cereal exports rose

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from 2 to 10 billion lei (in quantity from one million to 2.2 million metric tons).

Two qualifications should be made however. The emphasis upon wheat exports and upon the improvement of quality was primarily for the benefit of the middle and large producer, though the maintenance of the price of grain did help agriculture as a whole. In the second place, as has been mentioned in connection with the depression, the premiums on wheat served to extend the area under wheat cultivation, in direct contradiction to the recommendations of agricultural experts, who continued to believe that "peasant agriculture should no longer limit itself, in imitation of the old system, to the culture of cereals; its success will come from a parallel development of the resources of the field and of livestock raising." [35] This contradiction, which shows the absence of any real coherence to the agrarian program of the Liberal government, had two obvious sources: wheat, for all its decline after the First World War, was important commercially and from the point of view of foreign commerce there was a strong incentive to support it. Moreover, the wheat growers were the larger farmers and were in a better position to make felt their wishes than were the small maize-producing peasants.

The government did, however, make certain efforts to increase the variety of agricultural production. The most elaborate was the creation, with the assistance of I. G. Farbenindustrie, of the "Soya" company, which was authorized to import soybeans, distribute them to cultivators, provide equipment, and purchase the entire crop for export to Germany. The area under this crop expanded rapidly, especially in Bessarabia: 1,465 hectares in 1934, 20,411 hectares in 1935, 58,037 hectares in 1936, and 102,000 hectares in 1937. The government through price guarantees and subsidies also furthered the cultivation of sugar beet, tobacco, rice, and textile plants.

These measures to diversify agriculture did not, despite all the publicity given to them, achieve very great importance. They were only a drop in the bucket compared with the vast area under peasant cereal cultivation, and their rate of expansion seemed unlikely to produce any general amelioration for a very long time. Moreover, the introduction of such industrial crops, whose main purpose—almost exclusively so in the case of soya—was for export, shows the persistent if natural effort to solve the agrarian question by a sort of legerdemain. The soybean had been an old favorite, and as early

35. G. Ionescu-Sişeşti and N. Cornăţeanu, *La Réforme agraire en Roumanie et ses conséquences*, p. 79.

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It was the policy of imposing export taxes on all agricultural produce, which despoiled the peasantry of all the legitimate profit they should have made on the marketing of their grain, and which not only tended to discourage them from increasing the area under cultivation but prevented them from consolidating their position as independent farmers. Indeed, had not the Rumanian peasant been unduly burdened with taxes during the years following the conclusion of the war, when cereals fetched highly remunerative prices, he would undoubtedly have been able to make sufficient money to equip himself with the necessary instruments and cattle for his farm, avoided running into debt, and he would even have been able to constitute a small reserve on which to draw in the lean years. But these possibilities were frustrated by the culpable negligence of his rulers. And yet there were plenty of men who clearly foresaw and foretold the disastrous outcome for agriculture of such negligence, and protested against this system as well as against the undue partiality accorded by Government circles to industry in general. Certain organs of the Press continued for years to warn the public, and to deprecate the disastrous policy that was being followed. But it was in vain, the Bratianus would accept no counsel from anyone. The *Argus* on October 21st, 1926, commenting on this theme, drew the following conclusions:

"From the above-cited appreciations one may infer that on one hand the prices obtained by the producers are below those they secured before the war, while on the other hand the prices of the articles they need for their upkeep are at about 70 per cent above the pre-war level. In spite of these facts all these taxes which burden production are being maintained, and agriculture is placed not only in an impossible situation for developing itself but in a state of inferiority when compared with that of other countries which export cereals."

In another article published by the same paper on October 10th, 1926, we find a similar pessimistic strain: "From the above figures it becomes obvious that agriculturalists instead of making a profit have lost money, both this year and in previous years of drought. Such a result has completely discouraged them, especially the younger among them..."

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Chapter IV

ECONOMIC WEALTH OF THE COUNTRY

Greater Rumania was primarily an agricultural country, but its industry held an important place in the economy of South-Eastern Europe. With its fertile soil, great reserves of mineral resources and considerable water-power Rumania could have been one of the richest countries in Europe. But while the land was full of natural wealth the standard of living of the people remained a low one. Only a small part of Rumania's resources was exploited, and an even smaller part for the benefit of her inhabitants. 433 511

About three-fifths of the area of the Kingdom were arable land and pastures, and over four-fifths of her population were employed in agriculture, forestry and in the fishing industry. The unbalanced state of Rumania's economy in the period between the two wars is shown by the fact that in spite of the predominantly agricultural character of the country, Rumanian industry, employing only one-twentieth of the population, was responsible for half of the total production as expressed in value. Approximately two-thirds of all income from exports were also derived from industrial products, chiefly oil, of which Rumania is the foremost European exporter. 311 433

One million workers and employees, or one-twentieth of the population, contributing one-half of the total yearly value of production: this is one very significant aspect of the economic struc- 435

•435 ture of Greater Rumania. It illustrates the effects of low agricultural prices and high prices of finished goods upon the position of a predominantly peasant population, which cannot realize an adequate profit from the sale of its produce and is unable to buy manufactured goods. It is important to realize this, as it demonstrates one of the reasons for the inability of the peasants to acquire agricultural machinery and improve their methods of agricultural exploitation.

565 471 THE LAND REFORMS. By the beginning of the twentieth century the position of the Rumanian peasantry had reached a stage which could only be compared with that of Tsarist Russia before the abolition of serfdom. Over half of all the arable land was in the hands of a few thousand *boiars*. Most peasants were landless, some possessed small strips of land which were insufficient for the support of a family. Most peasants were still obliged to work for the landlords without pay, and in addition had to [427] pay taxes and other dues. In order to try and increase their income many peasants rented land from the big landowners. But as the landlord was usually the *boiar* for whom the peasant had to do forced labour and to whom he came in time of need for financial help, he soon found that he had often sold his labour power for years in advance. His indebtedness increased with surprising speed; neither his little strip of land nor, indeed, he himself was anything else than part of the *boiar's* property. The position of the peasantry grew even worse when absentee landlordism increased and great trusts managed the running of the big estates.

231 For the majority of Rumania's peasants the most
433 valuable of all animals are his sheep, of which Greater Rumania possessed about 12,000,000. Both the wool and the meat of Rumanian sheep are, however, of a lower quality than those of Great Britain or New Zealand. Sheep's milk, and the cheese made from it, supplement the monotonous diet of the peasant.

[439] Of the 3,000,000 pigs in Greater Rumania most were kept in the New Territories and a large proportion of the country's pork production was exported. Apart from the Rumanian Mangalita, English Berkshires were bred in great numbers.

241 Considered as a whole the agriculture of Greater Rumania, favoured by good climatic conditions and great soil fertility, remained undeveloped owing to the general economic conditions. The peasantry did not possess the necessary implements, buildings or animals which could have secured profitable ex-
[452] ploitation of the soil. Financial help was difficult to obtain, and the loans that were granted were ruinous to the peasant, owing to the high rate of interest.
[453] Co-operatives were few. Some agricultural banks and associations confined to the German colonists in the Banat and in Transylvania were the only ones
[435] which succeeded. Agricultural prices were low and the peasant was often forced to sell his produce before the harvest to export trusts which dominated
[654] the market. The only assistance given by the government consisted in loans and seeds at reduced prices for the growing of certain crops, such as soya beans, for export in order to fulfil international trade
[439] agreements. During the last fifteen years Germany secured an ever greater influence upon Rumania's agriculture and took most of its exports.

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433 Resita works and in the Copsa-Mica concern. The
471 most important Rumanian group, representing both German and British interests, was that of Malaxa-Auschnitt. The centre of Rumania's heavy industry is the region around Brasov.

The chemical industry, drawing to some extent on the unexported surplus of agricultural produce, developed substantially, thanks especially to attempts to make Rumania independent of imports. This industry, too, was controlled to a great extent by foreign, chiefly German, interests.

433 The textile industry, although handicapped by old-fashioned machinery imported from Germany, was the most prosperous. Production and value of output increased, as did the number of employees, but wages decreased.

433 Rumania's total industrial production was
511 doubled in the years 1924–36, but this was not re-
435 flected by a corresponding improvement in trade or in the standard of living. The general index of wholesale prices fell by almost a third and that of agricultural produce by nearly half; the prices of manufactured goods decreased by only a little over one-sixth. By 1933 the value of exports and imports had fallen to about 25,600 million lei and was only one-third of that of all foreign trade in 1926. Real wages in the period from 1929 to 1939 fell by over one-fifth, while the cost of living in 1939 was indexed at 138 points in relation to 100 points in 1933.

652 By 1937 Rumania's national debt had reached 257 million pounds sterling of which only one-fifth was represented by internal loans. Interest on foreign loans in 1932 amounted to about one-quarter of the country's budget and in 1937 to about 16%.

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a worker, working sixty hours a week, would just be sufficient to buy a pair of shoes or four pounds of coffee, while he would have to spend about three months' wages to buy a suit. The workers do not possess any effective trade unions or other organizations which could better their lot, and peasants' co-operatives are few and weak, except those controlled by the State and those of the German Minority. Antonescu, however, recognized the danger threatening him from this quarter and tried to pacify the workers by creating special services which would supply them with their rations. Other sections of the population had to rely on luck. By creating a class of workers which at last had an assured supply of food he hoped to neutralize the most potent elements of Rumanian discontent.

Another indication of the standard of living is supplied by the official price index. From June to December 1940 prices rose by over 137% and, according to the official Rumanian economic gazette, by 372% between August 1939 and October 1943. This fantastic increase of prices brought no corresponding gains to the farmers or agricultural workers, as can be seen from the Rumanian press.[1] While some industrial workers at least got their rations, and in some instances even increased rations,

[1] In December 1943, one of the German papers in Rumania reported that 'the Union of Farmers' Co-operative Societies states that although there was a record harvest last year, the difficult position of the farmers has not improved. A great part of the harvest is still unsold and...the shortage of capital is very much felt...the Union demands that one-third of the difference between the low inland- and the high export-prices be paid to the farmers instead of giving the whole of the overprice to the State and the exporters....Owing to the lack of

511 the economic position of the rural population
435 appears to be lamentable.

648 THE POLITICAL SCENE. Both the internal and external
722 policies of Rumania have been shaped by events on the battle fronts, and more particularly by the war on the Eastern front. The fact that Rumania is fighting side by side with Nazi Germany against the Soviet Union has had effects upon the national life of which the consequences are inescapable. The artificial stimulation of public opinion against the U.S.S.R., intended to galvanize the people into a fervent nationalism and unreserved support for Antonescu, proved no small embarrassment to him when the tide of battle turned so catastrophically against his Allies. Further, Rumania's position is also anomalous in the extreme. The severest blow which the country suffered during the past decades was the loss of two-fifths of Transylvania to Hungary.[1] Yet Rumania has been fighting in alliance with Hungary against the Soviet Union. At the same time friction between Hungary and Rumania has been one of the gravest problems in the

511 credits the farmers are unable to meet their most urgent
435 obligations and, if no solution is found, an agrarian crisis is imminent which must influence the whole national economy.' A Bucarest paper stated in January 1944: '...there are two million farms without milk cows, 160,000 without hogs and 200,000 without even a single chicken. Unfortunately the Ministry of Agriculture with only two and a half per cent of the budget can do little to alleviate the peasants' lot.'

[1] The Czechoslovak President, Dr Benes, stated in London in March 1944 that the Soviet Union would insist on the return of the territories which Hungary stole from her neighbours, including Transylvania.

CHAPTER I

722 more than half the normal, but the efforts in 1943 [249] to recover to a more average crop may have succeeded.

3. Fish

[228] The general food shortage in Rumania gave a great fillip to the fishing industry. In the 12 months April 1942 to March 1943, some 40,000 tons of fish were caught in State waters besides 13,000 tons in rented and private waters. This is almost double the largest pre-war catch. During 1942 some 6,000 tons were salted down for winter use. In order to promote and introduce better organisation into the fishing industry a German-Rumanian Company has been established, the "Marea-Neagră," which will devote special attention to developing the Black Sea fisheries.

4. Agricultural Exports

439 The pre-war level of grain exports was well 243 maintained in 1939; wheat in particular was prominent with over a million tons. The exports of 1940, however, showed an immediate reflection of territorial changes and war shortages. Total grain exports in that year barely reached a million tons compared with the pre-war average of about 1·6 million tons. The following year showed a still sharper decline, wheat reaching only 5,000 tons and maize 120,000 tons. In 1942, despite the recovery of Bessarabia, it is most unlikely that even this level was maintained.

439 Oilseed exports, despite direct German interven- 249 tion aiming at an expansion of the crop, also fell below pre-war levels. Sunflower-seed exports, the principal oilseed, fell from an average of 30,000 tons in 1935-38 to 12,000 tons in 1940 and to 5,000 tons in 1941. Exports following the 1942 crop, though probably better, were not at all commensurate with the increased production, for a serious shortage of edible oil and fat had meanwhile developed in Rumania owing to decreased supplies of pig fat and to the retention by the peasants of their seed for consumption at home, or for disposal on the Black Market.

5. Administrative Control

241 Not even the most complete and efficient system 656 of administrative control could have assured the country's food supplies and exports at normal 435 levels during these three unfavourable years, but it is clear that Rumania's food difficulties have been aggravated by mistakes in economic policy and inadequate control measures. Bureaucratic methods of handling the peasants aroused antagonism and resistance. Supplies of tested seed and other farm requisites were not made available in time. On the collection and supply side, too much power was left in the hands of local prefects. But the most serious shortcoming of the official administration was the failure to establish a price control, and an appropriate relationship between agricultural prices and the cost of the things farmers buy. (In the absence of effective discipline this ratio needs to be strongly in the producers' favour if production and marketing of foodstuffs is to be maintained.) Prices of consumers' goods rose rapidly, owing to shortages, while the Government pegged the prices of farm produce at comparatively low levels. Consequently, the peasants curtailed production and sought better prices by selling much of their produce through Black Market channels. The mistake was officially admitted in the autumn of 1941 when grain prices were more than doubled, but the position still remained unfavourable to

241 the peasants and the reduced 1942 sowings both
656 of grain and of sugar-beet indicated continued
dissatisfaction. Finally, by the spring of 1943 a
●435 wiser ratio was reached, agricultural prices being
four times as high as in 1939 and wholesale prices
in general three and a half times as high. Never-
theless, this very considerable measure of inflation
[458] has shaken public confidence in the value of money
so that peasants increasingly resort to barter
transactions.

[655] In the hope of obtaining better control over grain supplies the Government in the autumn of 1941 nationalised the grain trade, later they relaxed this to the extent of leaving the export business to a few selected firms and the internal collection to the Army and to the National Institute of Co-operation. This body handled the pre-war grain marketing scheme, and their
[563] activities—because of the expulsion of Jews from wholesale and retail trade—have recently developed rapidly in the supply of seeds to peasants (80,000 tons of seed distributed in 1942) as well as consumers' goods to peasants and townspeople. But it still proved difficult to extract enough food from the peasants to feed the towns. For the 1943 harvest detailed regulations were made concerning the quantities the peasant might keep for seed, for his family and for his animals, and threshing operations were subjected to inspection. Yet these rules could not in practice be administered.

423 It is now generally agreed in Rumania that the
471 smallness of the holdings has been a principal obstacle to effective organisation of agriculture in war-time, and that a change to larger units of production is needed. Any approach to collectivisation on the Soviet model, however, would be regarded as contradictory to the land reform policy and a threat to the Rumanian State. The official policy, though it has not yet taken its final form, is to maintain private property but to proceed no further with expropriation and division of large estates, and to maintain existing medium holdings by prohibiting their sub-division for inheritance or other reasons. Schemes for the consolidation of strips are also contemplated for a more opportune moment. Further, in order to
474 increase production and to improve the peasants' methods and standards of life, communal farming associations, known as *obști*, are to be formed. In these associations, farming equipment is to be pooled so that the small-holder would have the same resources as the large farmer. Each *obște* is to embrace a village and perform all the functions of a co-operative, including joint purchase and sale, use of breeding animals, processing of crops, etc. Villages which are prepared to form themselves into *obști* and to undertake to work the land according to State directions, are promised tractors, seed and breeding stock without payment. In this way it is hoped that some of the advantages of collectivisation may be achieved while retaining those of individual ownership. But, unless accompanied by far-reaching industrial development, the plan can but aggravate rural unemployment. It is not known how this innovation has been received by the peasants. It was reported in April 1943 that 270 of these communal associations had been formed—an insignificant number—and it is believed that the Government is allocating to them some of the tractors imported from Germany in the war years.*

241 The success of the *obști* plan, and indeed of any plan for up-grading Rumanian agriculture, depends

* In June, 1943, a temporary ban was placed on the formation of any new *obști*, because there was insufficient agricultural machinery to supply to them.

262 grammes (10½ oz.) daily was available on five days
434 of the week only: on the other two days maize
511 meal only (for *mămăliga*) could be bought. The bread ration was reduced to 250 grammes in June 1942 and maize meal itself was rationed in August. The number of breadless days has varied, while barley, flour or potatoes have at times been offered in place of maizemeal. The bread mixture has also included varying proportions of maize, barley, potato and other flours. The allowance in June 1943 was 250 grammes of bread on five days and 1,000 grammes (35 oz.) of maize flour or potato flour on each of the remaining two days. All these quantities apply to Bucarest only. Other towns show variants of these regulations, depending on local supplies.

234 The most serious shortage in Bucarest and
●435 possibly in other towns, appears to be milk.
511 Owing to the depletion of surrounding herds following the high cost and scarcity of fodder only a small part of the former supply now arrives. Some milk, as with all products, is diverted to the Black Market and official mistakes in price policy at various times have caused temporary gluts or stoppages in food supplies. Other livestock products and edible oil are also chronically short in the towns.

7. Food Prices

435 In spite of official attempts to protect con-
565 sumers from increases, retail prices and the cost of
511 living have risen almost to the same extent as producers' and wholesale prices. Taking autumn 1936 as 100, the cost of living was 330 and the cost of food 350 in the spring of 1943. These increases have been severely felt by the working and lower-middle classes. Official measures were taken to alleviate the situation of civil servants by the setting up of stores and canteens with reduced prices, some of the goods being supplied from Transnistria. Likewise firms with over 50 employees were ordered to supply them with essential foodstuffs at low prices. Persons with more ample resources make use of the Black Market on which all the ordinary foodstuffs are obtainable usually at only two to three times the official prices, the moderate character of these illegal prices being itself another illustration of the large quantities available through these channels due to the laxity of control.

[11b]

I. COPPER

316 135 Apart from copper ore recovered as a by-product in the mining of gold ores there is no copper-mining industry in Rumania. There are, however, two deposits which have possibilities of future production. They are as follows:-

(*a*) At Altan-Tepe in the Dobruja, 12 miles south of Tulcea, near the Black Sea, is a deposit which is being developed by Credit of Minier S.A.R. There are three areas totalling about 5,000 acres and reserves of 400,000 tons of ore averaging 1½ to 3 per cent. copper.

In 1940 development was proceeding very slowly, and it did not appear then that any production would take place for at least two years.

(*b*) At Zam, which is about 10 miles from Brad in western Transylvania, there is another deposit. The veins vary from a centimetre to a metre in width, and the grade of ore ranges from a half to 3 per cent. copper. These deposits have been worked on a small scale in the past, but no work is in progress at the present time.

Production of copper ore in Rumania, mainly from operations at various gold mines, is reported to have been 12,420 tons in 1938, and 25,165 tons in 1939.

J. GOLD

The most important area for gold-mining is in the Apuseni mountain district in Central Transylvania. The principal gold deposits lie within an area bounded by Baia De Arieş, Zlatna, Sacaramb and Tebea. The chief mining centre is Brad, the nearby-mines of Muşari, Brodisor and Valca Morii providing most of the production. Other mining centres within the area are Sacaramb, Almaş (Neagris), Roşia Montana, Bucium and Stanija.

The gold-bearing veins of the Apuseni district strike in directions between north-west and north-east and vary from a few millimetres to two metres in width. The lengths of the veins range between 300 and 700 metres and some are worked at depths approaching 600 metres from the surface. The ore is said to average 8 to 12 grammes per ton.

The largest producing company is the Societatea Mica with a production in 1940 of 2,096 kilos. and in 1941 of 2,665 kilos. In 1942, the State gold mines of Roşia Montana and Sacaramb produced respectively 150 and 238 kilos of gold.

Production in the Baia Mare district (now Hungarian) represented about one-third of normal ore output.

316 435 To stimulate gold production in those mines carrying only small values in gold, and also to make up for the loss of output entailed by the transfer of the Baia Mare area in Northern Transylvania to Hungary under the Vienna Award, the premium on gold production in Rumania was increased from the 1st January, 1943. In addition to the fixed basic price of 211.111 lei per kilo, there is now a premium of 189.189 lei per kilo for ore produced with a gold content of 15 grammes per ton rising to 656.389 lei per kilo for ore with a gold content of 3 grammes per ton or less. This has led to considerable prospecting for new gold deposits in various parts of the country.

K. SILVER

316 Over pre-war years Rumania ranked sixth, or when the Italian production was greater seventh,

248 439 Paper, and paper mixed with hemp, are now used to substitute jute.

Although a comparatively large producer of soft hemp, Rumania normally needed to import about 2,300 tons of other hemps for special purposes, and the sources of these imports have been severed since her entry into the war.

Comparatively negligible amounts of coir were also imported in peacetime.

288 291 434 **8. Clothes Rationing**

Unlike almost all other Enemy and Occupied countries, Rumania possesses no official clothes-ration card, although purchases are restricted to a specific number of garments per year. Since 1940 the Government, anxious to avoid the necessity for a card rationing system, has adopted various means in an endeavour to overcome the shortage of textiles, particularly of cotton and wool.

Standardisation of fabrics and fixed prices were introduced in 1940, but clothing of standardised material was frequently unobtainable since the price did not leave the retailer a profit.

Army demands soon called for a great increase in clothing production, thereby reducing the stocks and greatly raising prices of civilian clothing—those for overcoats rose by 300 per cent. and for knitted goods by 400 per cent.—and the difficulty of importing raw materials soon reacted on the industry, so that by 1941 the textile shortage, particularly of bed linen, had become serious. Later in the same year, the Ministry of Supply blocked the sale of all semi-manufactured or manufactured blankets.

Early in 1942 the Government requested the public to purchase only necessities, ordering the industry at the same time to use cotton allocations for the manufacture of standardised bed linen and clothing only. Later in 1942 it was decreed that the annual allotment of garments per head of the population was two suits or frocks, one overcoat, three shirts, 12 handkerchiefs, three pairs of socks or stockings, one sheet, three towels. The sale of standard cloth was restricted to three metres per person per annum. For this arrangement, however, clothing coupons were not issued and purchasers were requested to produce their identity cards and a signed certificate of need if the purchase exceeded 300 lei.

291 435 Non-standard articles are still obtainable, but their exorbitant prices make them accessible to a limited section of the public only. Retailers are known to have refused the sale of standard cloth even when displayed, in order to secure, if possible, the higher profit margin for non-standard goods.

[565] The members of the public most severely affected by clothing shortage and high prices are industrial workers and the poorer urban population. Though the large firms are supposed by law to supply their employees with clothing (as well as food) at cheap prices, it is thought that this is not being widely practised.

Prices of all materials for men's garments have risen to such an extent that people cannot afford to buy even such goods as are available in the shops.

248 656 To counteract shortage of clothing fibres, peasants are being encouraged by the Government to increase cultivation of flax and hemp for production of the rough cloth suitable for peasant clothing.

282 cattle hides collected in September, October and November, 1941, were for this purpose. The remaining 32 per cent., plus the horsehides, pigskins and goatskins, could be used for civilian purposes. The result was that very soon insufficient sole leather was available for civilians, and repairs to footwear became difficult.

282 656 At present 80 per cent. of the cattle hides weighing over 16 kilos (35 lb.), and 20 per cent. of the hides weighing less than 16 kilos, are reserved for the Army. This leaves the civilians very short of sole leather, normally manufactured from heavy hides.

At the end of 1941, the Ministry of Supply ordered the registration of all leather stocks, and thereafter leather could not be sold without a permit. The entire purchasing and control of raw hides and skins and also the distribution of leather was placed in the hands of the "ORAP" (*Oficiul Român de Aprovizionare şi Distribuire a Produselor de Pielărie*).

In the autumn of 1941 private dealings in sheep- and lambskins were forbidden, the Army Supply Minister having sole right of disposal. Owing to the comparatively important domestic output such a measure should not have been necessary, but was due to the Rumanian, and probably German, demands for warm clothing on the Russian front. Evidence received in 1942 shows that 80 per cent. of the skins are now reserved for the Army.

In July, 1942, leather transmission-belting, etc., was brought under control and made subject to certain restrictions.

295 434 Civilian rationing of footwear was introduced early in 1942 and new shoes could be sold only against permits issued to persons declaring possession of only one other pair of serviceable shoes. Repair cards were also issued. Requisition cards for new shoes are limited to one a year, and repair cards to one every four months. Children under 14 years of age can obtain two requisition cards yearly for new footwear.

The issue of permits does not, however, guarantee footwear supplies, and only about 50 per cent. of repair or purchase demands appear to be met.

The above regulations have been slightly modified from time to time, but remain intrinsically the same. The production of footwear of substitute materials, such as wooden soles, soles of artificial leather, leather waste, buna, etc., has gradually increased.

295 435 Despite the various government regulations the footwear Black Market flourished, and while the average pre-war price for a pair of men's shoes was 800 lei, in October, 1941, the official prices were fixed at about 1,500 lei for a standard pair of men's shoes and about 1,200 lei for a standard pair of women's shoes. In March, 1942, however, the Black Market price for men's shoes was 7/8,000 lei a pair, and this has now gradually risen to 10/12,000 lei. Complete soleing and heeling of men's footwear costs 1,250 lei officially, and women's 1,000 lei. The official price of soleing leather is 530 lei per kilo, whereas the Black Market price is 34,000 lei.

2. Tanning Materials

282 439 Before the war Rumania never made use of her own barks for tanning, as it was more economical to import extracts from overseas. During the war she has made attempts to employ her oak, chestnut, spruce and pine barks for tanning materials, but

CHAPTER X

652 722 1941, subscriptions were made compulsorily, and in 1942 a Reintegration Tax was levied on all persons who failed to subscribe the amounts allotted to them. In spite of all this the loan had only raised some 18 milliard lei by September, 1942.

A further attempt to borrow from the public was made at the end of 1942, when the Minister of Finance was authorised to issue short term 4 per cent. Treasury Bills to a value not exceeding 10 milliard lei. As with the long term loan, interest from this loan was free from taxation.

In spite of these measures, however, considerable amounts have had to be borrowed direct from the National Bank—partly on account of extra-budgetary credits for non-military purposes, but more especially to finance the war with Russia which—at the beginning at least—was done entirely outside the budget.

In June 1941 when miscellaneous advances to the Government already amounted to 10 milliard lei, the National Bank was authorised to derogate from the provisions of its statutes and to advance any amounts necessary to cover exceptional needs. In this way a further 12 milliard lei credit on this account was put at the disposal of the Government to finance the Russian war. This credit was, however, exhausted by January 1942, but the National Bank's miscellaneous advances continued to rise, reaching nearly 30 milliard lei by June 1942. After June 1942, borrowing on this account fell considerably, only to rise at the end of the year and the beginning of 1943.

4. External Position of the Leu

652 Rumania is still officially on the gold standard, the parity of the leu having been fixed in 1929 at 1 leu = 0.009 g. fine gold or 111.111 lei per kg. gold.

This parity has, however, no practical significance, since from 1935 onwards it has been the practice to pay premiums for gold over and above the official price. In order to encourage domestic production of gold additional premiums are paid to domestic gold producers, so that the effective internal price of gold varies, according to the productivity of the mine, from 400,300 lei to 867,500 lei per kg. fine gold. (*See* also section on gold, page 23.) Official dealing in "hard" currencies, too, is done not at parity but at parity plus a premium. From December 1935 to February 1940, the premiums were fixed at 38 per cent., from March 1940 to March 1941 at 107 per cent., and after the latter date at 90 per cent.

652 648 The last reduction of premiums from 107 per cent. to 90 per cent. was made under German pressure, on the grounds that the RM., on which no premium was paid, was undervalued in relation to "hard" currencies. And at the same time as the effective rates for such currencies were lowered (in the case of the $ from 211.65—117.97 to 187.60—196 lei per $); the RM. rate was raised from 50 lei = 1 RM. to 60 lei = 1 RM., at which level it has since remained.

5. Prices and Price Control

435 As a result of the world depression there was a severe fall in prices during the early 1930's. Both wholesale prices and the cost of living reached their lowest level in the years 1933 and 1934. In the following years there was a gradual recovery, which became increasingly marked after 1939.

The retail price index has increased during the war as follows —

August, 1939	100.
January, 1940	116.6.

[52 a]

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June, 1940	137.1.
January, 1941	149.5.
June, 1941	190.9.
January, 1942	200.6.
June, 1942	306.9.
January, 1942	377.6.
March, 1943	403.9.

The less marked rise in 1942 was due principally to the fact that for the first 6 months of the year prices were almost stationary; in the autumn, however, indirect taxes were increased and prices once again rose steeply.

These percentages represent only increases in official prices; the cost of living is in fact considerably higher owing to the prevalence of the Black Market, where prices are very much in excess of the official limits.

The first attempts at price control were made almost immediately after the outbreak of war. In September 1939 an anti-profiteering law was passed, and in November of the same year an anti-speculation law followed which fixed the maximum prices of all articles in general use and limited wholesalers' profits to 10 per cent and retailers' to 12 per cent.

The regulations were further tightened up by the price control laws of March, 1941, and the sabotage law of October, 1940.

Control, however, remained largely ineffective, and in October 1941 a stabilisation law was passed. This law, which borrowed much from the existing German laws, laid down a general price stop. Maximum prices and wages were fixed at the level prevailing on 1st September, 1941, and alterations could be made only with the permission of the Minister of Economics.

In addition the State set up goods distribution centres which, among other functions, supervised producers' prices, profit margins and consumers' prices.

Since August 1942 the supervision of prices has been in the hands of a General Commissariat for Price Control, and the local offices subordinate to it. It is evident that corruption among price-control officials was by no means a negligible factor in the very unsatisfactory development of the control system in general. In the autumn of 1942 it was announced that all existing price controllers were to be dismissed and replaced by members of the teaching, legal and literary professions.

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B. BANKING

1. State and State-Controlled Banks

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The National Bank of Rumania was set up in 1880 with a capital of 30 million lei, of which one-third was in the hands of the State. By 1929 this had been raised to 600 million lei. Under the present statute the State may not hold more than ten per cent of the capital, the remaining ninety per cent must be held by private shareholders. The bank has the sole right of note issue in the country.

From the end of 1932 to the end of 1938 the note circulation rose from 19·6 milliard lei to 34·9 milliard lei. In the next four years, however, the increase was very much greater as the following table shows —

		Milliard lei
1932	January	34·1
	June	38·7
1940	January	48·4
	June	54·2
1941	January	65·7
	June	77·1
1942	January	95·6
	June	98·7
1943	January	117·0

[52 b]